

Preliminary Financial Impact Analysis | De-Annexation

August 2019

Given the potential Rainbow Municipal Water District (RMWD) and Fallbrook Public Utility District (FPUD) de-annexation from the San Diego County Water Authority, Water Authority staff performed a preliminary financial assessment to determine an initial order-of-magnitude financial impact. This high-level analysis calculates the potential net revenue loss and re-allocation of costs to remaining member agencies to meet necessary annual revenue requirements.

To provide a baseline estimate, the preliminary analysis uses a mix of FY 2018 actual data and CY 2020 adopted rates and charges, which reflects the best available data at this time. The values and impacts presented herein reflect a reasonable 1-yr estimate. It is important to note that the estimated impact is likely to fluctuate year-to-year based on updated assumptions, financials, and demands.

Table 1 defines the forecasted financial (revenue and expenditure) impacts related to RMWD and FPUD.

Table 1: Preliminary De-Annexation Net Impact

	Forecasted Impact (\$)
Anticipated Avoided Costs	
Avoided Supply Purchases	\$22,268,000
Avoided Treatment Expense	\$9,526,600
Avoided SDCWA O&M	\$0
Total Avoided Costs	\$31,794,600
Anticipated Revenue Loss	
Supply Reliability Charge	\$1,594,400
Customer Service Charge	\$1,691,700
Storage Charge	\$2,787,700
Infrastructure Access Charge	\$1,165,700
Melded Supply Rate	\$25,391,300
Melded Treatment Rate	\$8,258,300
Transportation Rate	\$1,292,800
Other Revenue (1)	\$2,979,800
Total Anticipated Revenue	\$45,161,700
Net Impact	-\$13,367,100
<i>(Avoided Expense - Revenue Loss)</i>	
(1) Includes Property Tax, Standby Charge, and Capacity Fees (FY 2018)	

Table 2 provides a break down of revenues by rate component (fixed, transportation, melded supply, and melded treatment) and reflects the projected revenue loss based on Rainbow and Fallbrook's specific use of the system and benefit of the SAWR program and that not all deliveries are subject to the Water Authority's Transportation Rate. For simplicity, the Melded Treatment Impact was allocated over total deliveries (not just treated).

Table 2: Revenue Impact by Rate Category

Fixed Charge Impact	CY2020
Revenue Loss (from Table 1)	\$7,239,552
Transportation Rate Impact	
Revenue Loss	\$1,292,800
CY 2020 Deliveries (less R&F)	367,819
Rate Impact	\$3.51
Melded Supply Impact	
Revenue Loss (Supply)	\$3,123,300
Revenue Loss (Other Revenues)	\$2,979,800
CY 2020 Deliveries (less R&F)	367,819
Rate Impact	\$16.59
Melded Treatment Impact	
Revenue Loss	(\$1,268,200)
CY 2020 Deliveries (less R&F)	367,819
Rate Impact	(\$3.45)
Variable Rate Impact	
Transportation Rate	\$3.51
Melded Supply Rate	\$16.59
Treatment Rate	(\$3.45)
Total Volumetric Rate Impact	\$16.66

The Net Impact (Table 1) and Total Revenue Recovery (Table 3) do not match, due to the use of different delivery assumptions (CY 2020 vs FY 2018) throughout. In addition, the values presented in Table 3 reflect the use of FY 2018 Actuals for "Other Revenues" rather than an initial staff input. As such, these values are lower by \$37,847 than from delivered impacts (provided on 8/5/2019). Some of the difference also reflects the use of non-rounded values.

Table 3: Estimated Recovery of Net Impact (De-Annexation)

	Supply Reliability Charge	Customer Service Charge	Storage Charge	IAC	Estimated Fixed Charge Impact	FY 2018 Deliveries (AF)	Est. Variable Impact (AF * \$16.66)	Total Estimated Impact (Fixed + Variable)
Carlsbad M.W.D.	\$59,164	\$57,510	\$100,517	\$47,104	\$264,295	16,032	\$267,873	\$531,378
Del Mar, City of	\$3,999	\$4,274	\$7,471	\$3,234	\$18,979	1,078	\$18,012	\$36,938
Escondido, City of	\$69,358	\$78,315	\$120,848	\$45,932	\$314,453	7,869	\$131,480	\$445,545
Fallbrook P.U.D.	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0
Helix W.D.	\$114,229	\$111,392	\$194,690	\$84,672	\$504,983	25,913	\$432,971	\$936,678
Lakeside W.D.	\$11,635	\$11,449	\$20,010	\$10,754	\$53,848	2,836	\$47,386	\$101,094
Oceanside, City of	\$88,210	\$93,010	\$160,295	\$74,551	\$416,067	22,510	\$376,112	\$791,070
Olivenhain M.W.D.	\$75,803	\$77,583	\$134,915	\$36,672	\$324,973	19,423	\$324,532	\$648,548
Otay W.D.	\$117,569	\$120,429	\$210,484	\$77,746	\$526,227	29,638	\$495,211	\$1,019,978
Padre Dam M.W.D.	\$39,888	\$41,488	\$71,141	\$34,832	\$187,349	10,332	\$172,634	\$359,474
Pendleton Military Reserve	\$240	\$288	\$502	\$0	\$1,030	84	\$1,404	\$2,429
Poway, City of	\$40,846	\$39,414	\$68,622	\$22,130	\$171,012	10,316	\$172,366	\$342,870
Rainbow M.W.D.	\$0	\$0	\$0	\$0	\$0	N/A	\$0	\$0
Ramona M.W.D.	\$17,832	\$21,982	\$30,389	\$13,341	\$83,544	5,379	\$89,876	\$173,154
Rincon Del Diablo M.W.D.	\$22,211	\$22,251	\$38,696	\$13,098	\$96,257	5,468	\$91,363	\$187,350
San Diego, City of	\$686,275	\$694,117	\$1,211,896	\$510,938	\$3,103,225	155,923	\$2,597,581	\$5,700,807
San Dieguito W.D.	\$17,597	\$15,369	\$26,861	\$19,539	\$79,365	2,660	\$44,445	\$123,679
Santa Fe I.D.	\$32,280	\$28,384	\$49,609	\$13,651	\$123,924	5,818	\$97,211	\$220,848
Sweetwater Authority	\$44,661	\$41,472	\$72,485	\$55,901	\$214,519	1,735	\$28,990	\$243,423
Vallecitos W.D.	\$52,276	\$53,599	\$87,412	\$35,275	\$228,561	16,168	\$270,145	\$497,910
Valley Center M.W.D.	\$31,614	\$91,490	\$56,181	\$19,048	\$198,332	22,526	\$376,379	\$573,601
Vista I.D.	\$64,287	\$66,589	\$116,011	\$46,525	\$293,412	2,530	\$42,273	\$335,560
Yuima M.W.D.	\$3,848	\$20,829	\$8,712	\$784	\$34,172	6,088	\$101,722	\$135,594
South Coast W.D.	\$558	\$466	N/A	N/A	\$1,025	-	\$0	\$1,025
Total	\$1,594,380	\$1,691,700	\$2,787,744	\$1,165,728	\$7,239,552	370,326	\$6,169,404	\$13,408,953